



# An Overdue Awakening? Corporate America After Russia's Invasion of Ukraine

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*The corporate response to Russia's invasion of Ukraine signals a profound shift in the relationship between American business and the United States government—one corporations have yet to grasp.*

Corporate America's retreat from Russia after the 2022 invasion of Ukraine was astounding. The financial sanctions targeted at the Russian economy would not, on their own, have forced out most American companies. And yet, within weeks they had chosen a side, halting or transferring their business operations and leaving the country. Some companies—particularly technology firms—went even further: investing millions into keeping Ukraine's infrastructure online, defending its systems, and giving aid to its people.

Not since perhaps the second World War, it seemed, had business and government been so in step on a major foreign policy issue.

However, many companies have since made it clear that they believe this remarkable alignment was a one-off: the security of their Russia-based employees, the legal and social risks of continuing to operate in-country, and the clear moral lines of this case made it relatively easy—though not cost-free—to stand with the Western liberal order. As Jeffrey Sonnenfeld of Yale's School of Management aptly summarized: “[Ukraine] was a rare unity of patriotic mission, personal values, genuine concern for world peace, and corporate self-interest.”<sup>1</sup>

It is undeniable that the outbreak of war in eastern Europe presented a unique set of circumstances. But corporate leadership may soon find that the legacy of Russia's invasion of Ukraine is more enduring than they might have preferred: less an aberration, and more an inflection point in the relationship between American business and American government.

Simply put, in a world that is being rapidly transformed by renewed superpower competition and the accelerating decoupling of global supply chains, the retreat from Russia is likely only the start of a series of larger and more difficult decisions that loom over the horizon for corporate America. Potential for conflict over Taiwan and the escalation of transnational challenges such as pandemics and climate change, among other issues, will all require bold, novel corporate leadership and a renewed commitment to government-corporate cooperation. To succeed in the transition to this new era, businesses will need to examine their assumptions about what it means to be an “American” company, decide what their values and red lines are, and prepare themselves to make some tremendously complex geopolitical decisions.

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The current conception of American multinational corporations as global actors—able to float above the fray of nation-state politics, receptive to the local laws and customs of their immediate jurisdiction, and responsible first and foremost to the interests of their shareholders—is a relatively recent phenomenon.

For much of U.S. history, American corporations viewed themselves on the international stage as American actors: in business not just for the shareholders, but for the good of the country. Patriotic corporations—with leaders coming as often through the ranks of public service or the military as the ranks of a company—partnered with the government to develop a wide range of technologies from the jet engine to the internet and worked in concert with the government

to advance national security interests abroad. Indeed, one of the fathers of enterprise, Henry Ford, articulated in 1920 that American workers should demand that, “After we give the day’s work to our employer, he in turn will use it to the advantage and service of society.”

Of course, the tight connection between government and industry—whether in the past, or today—is hardly an unalloyed good. Corporate America’s coziness with the national security apparatus was at the heart of President Dwight D. Eisenhower’s 1961 warning about the perils of the “military-industrial complex.” Yet it is worth noting two distinct truths about the prior earlier relationship between business and government in American history: first, that contributing to national security was more often seen as mainstream corporate ethos—fully within the set of corporate responsibility—and second, that this alignment brought major advantages in terms of economic and scientific success to America as a whole, particularly during times of national crisis.

However, in the post-Cold War era, several forces radically reshaped how corporations view their own role in society. One of the most significant is the wave of globalization that has served to partially decouple the multinational American corporation from America, allowing corporations to conceive of themselves as transnational actors without a specific geopolitical home or allegiance. Secondly, the rapid adoption of Milton Friedman’s shareholder primacy doctrine has simultaneously laser focused the companies’ energies on the enrichment of their owners above all else. Companies frequently make the case that their responsibility is primarily to shareholders, individual customers secondarily, and the nation not at all.

These and other factors have contributed to the decline of the sense of shared responsibility for American welfare in the boardroom over the past several decades. Instead of a collaborative partner, the American government has often become a resource from which boardrooms can extract value: namely, an increasingly favorable regulatory environment to encourage investment and minimize tax liabilities. For its part, the government has ceded large swaths of its prior mission to the private sector, often at the behest of the voters. These trends combined with a perception of the government as poisoned by politics, hobbled by bureaucracy, or rife with incompetence and red tape has atrophied the muscle of public-private cooperation to work towards a shared goal.

Yet to some extent, the growing drift between the public and private sectors was mitigated by the geopolitical environment. For much of these past thirty years, the broad arc of American foreign policy and the aims of corporations largely aligned. The existence of a unipolar world and the shared political aim to open markets across the globe and enact the Washington Consensus enabled American corporations to focus on shareholder maximization with minimal geopolitical consequence. In other words, the post-Cold War peace-dividend became a shareholder dividend.

But today, in what arguably has become a post post-Cold War order, nationalism is increasing. The United States and China are in a phase of “strategic competition”—a competition that is playing out not only in military and political spheres but in the economic, social, and technological spheres as well, as governments increasingly act defensively to disadvantage their rivals. Both trends are increasing the decoupling of north and south, east and west. Covid-19 further accelerated the process: when Covid-related shortages led to an unraveling of just-in-time supply chains, countries naturally preferred their own citizens. Together, these trends were siloing companies along national lines in a way that was unexpected in a globalized and interdependent world.

Into this context, Ukraine dropped with a thud—a manifestation of the changing geopolitical environment and a catalyst to drive it ever forward. American companies didn’t refuse to take a side—they embraced the opportunity. Whether fast food or fashion brands, American multinational companies spoke the language of U.S. and Western values. If anyone didn’t believe that the era of decoupling was here, the Americans clearly did. Other countries can’t help but take notice.

A more nationalist, divided world is hardly desirable. But it appears increasingly likely that as companies are caught in the crosshairs, they will be compelled to take a side in peacetime as well as in war. Yet, for the most part—as evidenced by their accounting for their own actions in Russia—neither companies nor the U.S. government is adequately preparing for this longer-term shift.

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So how can American corporations reckon with this new geopolitical environment while simultaneously delivering for consumers and shareholders? Waiting for a crisis is inviting catastrophe: the idea that they can return to “business as usual” cannot be taken for granted. Instead, business must proactively prepare to meet the challenges of a changing world order.

First, American corporations should recognize that not having an opinion is increasingly not an option. The world has changed, and they will be often be forced to choose a geopolitical “side”—whether by legal or economic means (such as sanctions or export bans), social means (like citizen-driven campaigns), or even coercive means (such as government diktat). Today, many American corporations desire to avoid the expression of values that can indicate a geopolitical preference for one group or another. The middle ground for such equivocation is rapidly shrinking. Choices will have to be made—with the recognition that not taking a side may only serve to reduce their legitimacy in the eyes of the American government and people.

Second, corporations will have to decide what their underlying values and positions will be—better phrased as a set of values—will be. Otherwise, they risk being caught flat-footed at a moment of crisis. Companies will have to decide for themselves what their mission and “red lines” are, what they believe their obligations are, and whether there are moments in which they would break with the U.S. government. Arguably, American multinationals should recognize that the American system of governance, values, and leadership that has incubated them and made possible their global success needs to be nurtured and defended both at home and abroad. A re-grounding in the patriotic mission of a corporation is a recognition not that the government is supreme, but that the needs of the nation must sometimes come above those of the shareholder.

Finally, corporations must work with their investors and owners alike to make sure they have the capability to execute on the decisions they may be called upon to make. Part of this will require a cultural shift within the corporation to allow permission for other values to sometimes rise above shareholder value. Without deliberate coordination between executives and investors to change the incentive structure internally, the organizational inertia of focusing on shareholder value above all else will prevail. Part of this process will require companies to think about the longer-term impacts of decisions—and to reevaluate operational decisions, business relationships, and supply chains alike to ensure that they do not lock themselves into dangerous dependencies.

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None of these steps suggests that corporations should become subordinate to or captured by the United States government. Corporate autonomy is fundamental to American innovation: it underpins our market economy and is fundamentally different from the managed or command economy of authoritarian states. Similarly, corporations can act as a useful check on immoral or illegal actions and a strong supplement to governmental capabilities. Both business and government should have different tools to leverage their different roles in society.

The challenge comes when the two are rowing in opposite directions. Ukraine was a singular moment of reckoning, but it will not be a one-off. American corporations and policymakers should think now about how to shape the transition into a new world that will require increased cooperation. How they do so and rise to meet the current moment will resonate far beyond the bottom line: it will fundamentally shape American national security and the United States’ ability to uphold its values, ensure prosperity and equity at home and abroad, and act effectively on the international stage in the face of what is promising to be a highly challenging decade.

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<sup>1</sup> Tracy Jan, “How a Yale Professor’s Viral List Pressured Companies to Pull Out of Russia,” *The Washington Post*, March 11, 2022, <https://www.washingtonpost.com/business/2022/03/11/sonnenfeld-russia-ukraine-corporations/>.